

Message Text

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R 180148Z DEC 76
FM SECSTATE WASHDC
TO AMEMBASSY NICOSIA

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E.O. 11652: N/A

TAGS: EAID, EQIP, CY, US

SUBJECT: GOC REQUEST FOR ASSISTANCE IN COMPUTERIZING
CYPRUS TAX SYSTEM

1. WE HAVE LEARNED THAT CYPRUS EMBASSY WASHINGTON HAS
RECEIVED REQUEST FROM GOC FINANCE MINISTRY FOR INFORMATION
FROM U.S. INTERNAL REVENUE SERVICE (IRS) IN CONNECTION WITH
PLAN TO COMPUTERIZE THE CYPRUS INLAND REVENUE DEPARTMENT.

2. MINFIN LETTER DATED DEC. 6 TO FONOFF STATES "IT HAS
BEEN DECIDED TO COMPUTERIZE THE WORK OF IRD (MAINLY THE
INCOME TAX), AND WE ARE NOW IN PROCESS OF CONSIDERING
NATURE OF DATA AND INFORMATION NEEDED TO HAVE EFFICIENT
RESULT," ASKS THAT THEIR EMBASSY WASHINGTON QUERY IRS
FOR "ALL AVAILABLE RELEVANT DATA AND DOCUMENTS USED
IN CONNECTION WITH THEIR SERVICE (I.E. MOSTLY THE DIRECT
TAXATION SYSTEM) WHICH MIGHT BE ADAPTED TO SUIT OUR
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REQUIREMENTS AND THE CONDITIONS PREVAILING IN CYPRUS."

3. INFORMAL CONSULTATION WITH USIRS REVEALS IT WOULD BE
DIFFICULT FOR THEM TO FURNISH INFORMATION WITHOUT BETTER
IDEA OF SPECIFIC CYPRIOT NEEDS. IRS TAX ADMINISTRATION
ADVISORY SERVICE DIVISION HAS PROGRAM FOR WORKING WITH

FOREIGN GOVERNMENTS SEEKING TO AUTOMATE THEIR TAX

OPERATIONS; THIS PROGRAM OFTEN INVOLVES FOREIGN GOVERNMENT PERSONNEL VISITING IRS FOR SHORT PERIODS (TYPICALLY THREE WEEKS OR LESS) FOR FAMILIARIZATION WITH U.S. MACHINES, SOFTWARE, SYSTEMS AND OPERATION. IRS IS PRESENTLY ENGAGED IN SEVERAL TECHNICAL ASSISTANCE PROJECTS WITH FOREIGN GOVERNMENTS RELATING TO THEIR TAX ADMINISTRATION SYSTEMS. IRS WOULD BE WILLING TO PROGRAM CYPRIOT EXPERTS AT NO COST (OTHER THAN TRANSPORTATION AND SUBSISTENCE) TO GOC, AND COULD FIT IN SUCH AN ORIENTATION AS EARLY AS FEBRUARY. HOWEVER, PRODUCTIVITY OF SUCH A VISIT WOULD DEPEND ON STAGE CYPRIOT IRD HAS NOW REACHED IN EFFORT TO COMPUTERIZE, AND WHAT ITS NEEDS ARE.

4. SECTION 661 OF THE FOREIGN ASSISTANCE ACT AUTHORIZES USE OF FUNDS FOR TRAVEL BY U.S. EXPERTS TO ADVISE FOREIGN GOVERNMENTS REGARDING CONTEMPLATED AUTOMATION OF TAX OPERATION, WHEREVER THERE IS REASONABLE POSSIBILITY THAT SUCH CONSULTATIVE TRAVEL ULTIMATELY MIGHT RESULT IN SOME COOPERATIVE REIMBURSABLE PROGRAM, OR WHICH MIGHT LEAD TO SALES OF U.S. EQUIPMENT OR SERVICES EITHER PRIVATE OR USG. AID HAS SUCH FUNDS CURRENTLY AVAILABLE.

5. IN ORDER BE OF MAXIMUM ASSISTANCE TO GOC, IRS EXPERTS RECOMMEND SUCH AN INVESTIGATORY TRIP AS FIRST STAGE. DEPENDING ON WHAT NEEDS WERE DISCOVERED, MATERIALS MIGHT BE PROVIDED OR ORIENTATION TRIPS HERE SCHEDULED AS FOLLOW-ON. IN ORDER MEET REQUIREMENTS OF LIMITED OFFICIAL USE

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F.A. ACT, HOWEVER, WE WOULD NEED INDICATION FROM EMBASSY THAT IRD HAS NEED OF THESE SERVICES AND THAT REASONABLE EXPECTATION--BUT NOT NECESSARILY ANY COMMITMENT AT THIS STAGE--EXISTS FOR FUTURE SALES OF USG OR PRIVATE SECTOR SERVICES OR COMMODITIES FOLLOWING FROM THIS COOPERATION.

6. IF EMBASSY PERCEIVES NO OBJECTION, REQUEST YOU DISCUSS THIS MATTER WITH IRD AND ADVISE SOONEST.

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